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EU-28

Tree Nuts Annual

2014

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Report Highlights:
The United States is the most important supplier of nuts to the European Union, which imported $2.3 billion of tree nuts in 2013, of which $1.4 billion were almonds. Therefore the lifting of the special EU Import Conditions for U.S. Almonds effective September 3, 2014 is excellent news. With the removal of special import conditions for U.S. almonds, the presence of a VASP (Voluntary Aflatoxin Sampling Plan) certificate will no longer be a pre-condition for import into the EU. However, the Almond Board of California encourages continued use of VASP certificates.

Executive Summary:
Disclaimer: This report presents the situation and outlook for tree nuts (almonds, walnuts and pistachios) in the EU-28. This report presents the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

This report would not have been possible without the valuable expert contributions from the following Foreign Agricultural Service analysts:

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Abbreviations and definitions used in this report
Conversion factors: conversion factor is used to convert shelled to in-shell tree nuts.
Almonds: 0.6
Walnuts: 2.34
Pistachios: 2.0

GTA Global Trade Atlas
Ha hectare; 1 ha = 2.471 acres

HS Codes: Harmonized System codes for commodity classification used to calculate trade data.
Almonds: Shelled 080212; In-shell 080211
Walnuts: Shelled 080232; In-shell 080231
Pistachios: 080250 (until December 2011); In-shell 080251, Shelled 080252 (since January 2012)

MT Metric ton = 1,000 kg
EU MS European Union Member State(s)

MY Marketing year
Almonds: September/August
Walnuts: October/September
Pistachios: September/August

USD U.S. Dollar (Exchange rate at time of publishing €1=US$ 1.32)

Executive Summary:

US and EU: important trading partners

In 2013, the EU was the primary export destination for U.S. tree nuts, closely followed by East Asia. The most important destinations for U.S. tree nuts in 2013 were: the EU-28 (31 percent), East Asia (30 percent), Middle East (11 percent), North America (10 percent) and the South Asia (5 percent). Within the EU, the most important trade partners for US tree nuts are in order of importance Spain, Germany and the Netherlands. It is interesting to note that East Asia includes Hong Kong and China, which jointly account for 21 percent of total U.S. tree nut exports.

Last year, EU-28 imports of tree nuts totaled 754,653 MT. The US continues to be the largest supplier by far, with almost 40 percent of the market share. Turkey ranks second with a market share of 15 percent, followed by Vietnam, the Philippines and India. Almost 30 percent of EU tree nuts total imports concern the import of almond and another 17 percent hazelnuts. The US is especially an important trade partner to the EU for supplying almonds, pistachios and walnuts where the US has a market share of respectively 91, 73 and 55 percent.

Food processing and snack industry are key buyers of tree nuts

The European food processing and snack industry are the large users of tree nuts. Almonds are mainly used as an ingredient for producing marzipan, nougat, turron (Spanish typical Christmas confection) and many other pastries and sweets. They are also used to manufacture almond butter and paste. Hazelnuts are mainly used in confectionary to make praline and also, in combination with chocolate, for chocolate truffles. Due to the fact that hazelnut oil is strongly flavored and the kernels of walnuts are rich in oil, both are often used for manufacturing cooking oil. Pistachio nuts are used as an ingredient for manufacturing ice cream and confectionary products (such as baklava and mortadella).

When roasted, salted or mixed, tree nuts are a popular snack. Due to changing lifestyles, people are more and more realizing that nuts can be enjoyed at various occasions and different places. Dinner for instance offers potential for tree nuts, where they can be used as an ingredient and as garnish due to their taste, quality, versatility and convenience.

The pressure of recession is pushing snack companies to be more creative and innovative, adding exotic and new flavors combinations and to increase the use of premium packaging. Due to the mature European market, manufacturers will likely focus their strategies on launching new value-added innovative products rather than volume sales.

Expanding business in EU market

Since the EU is an important market for US tree nuts, exporters are exploring ways to expand their overseas business. Trade shows are an excellent opportunity both to know the market and to meet potential importers. Some of Europe's leading trade shows for tree nuts are: Fruit Logistica in Berlin, Germany; Alimentaria, in Barcelona, Spain; Sial in Paris, France or Anuga in Cologne, Germany. Other important interesting shows include Food Ingredients, Health Ingredients, Vitafoods, PLMA Amsterdam and Biofach. Finally, it would be advisable for new-to-the-market exporters to have a look at the EU-28 Food and Agricultural Import Regulations and Standards report and Exporter Guides

produced at the various EU FAS Offices.

US cooperators active in the EU

Trade associations like the Almond Board of California, the California Pistachio Export Council, Western Pistachio Association/CalPure Pistachios and California Walnut Commission are extremely active in the EU market. These trade associations, or so-called cooperators, in cooperation with FAS offices all over Europe, continuously work to further develop the market for tree nuts.

Commodities:

Almonds, Shelled Basis

Production:
The EU is one of the world's leading producers and consumers of almonds. In terms of origin, the United States is by far the largest producer. California is responsible for approximately 80 percent of world's almond production and 100 percent of the U.S. supply. Annually, California production is exported to 90 countries worldwide, and the EU-28 represents approximately one third of California's almond exports.

Spanish production has historically fluctuated greatly and is not expected to increase its production significantly in the long term. This is due mainly to the declines in EU agricultural support programs and the continuing urbanization of traditional production areas. Furthermore, farmers complain that the almond crops are less profitable each year due to the pressure coming from the California almonds and tend to abandon less profitable crops in search for more profitable ones.

For MY 2014/15, the latest official forecast published by the Ministry of Agriculture, Food and Environment (MAGRAMA) shows an estimated production figure of 54,848 MT (shelled basis), an increase of 21 percent compared to previous year's crop. This sharp increase is due to the fact that last year's production figure was the lowest since 2004, but the long term trend will continue to be limited to no new plantings.

According to the MAGRAMA statistics, the main producing regions have increased their production figures compared to previous marketing year. Aragon (+78 percent) Andalucia (+47 percent), Catalonia (+47 percent) and Castilla-La Mancha (+18 percent).

Italy's MY 2014 almond production is forecast to increase significantly from the previous year to approximately 7,000 MT. Quality is expected to be exceptional. However, due to strong competition from competitively priced Californian and Australian almonds, cultivation in Italy has become less profitable. Therefore, many farmers have been abandoning this crop or shifting to more rewarding cultivations (i.e., citrus fruit, wine grapes, horticultural products). Furthermore, almond orchards are often located in areas where mechanization is not always feasible. For all these reasons, planted area is forecast to further decline in the years to come.

Table 1. Major EU Almond Producers by Volume in MT (Shelled Basis)

COUNTRY	MY 2012/13	MY 2013/14	MY 2014/15
Spain	64,273	45,152	54,848
Italy	7,500	5,000	7,000
Greece	8,788	8,500	8,500

Source: FAS Europe Offices and Eurostat

Consumption:
Almonds represent an important component of the Mediterranean diet. In-shell almonds are mainly sold for fresh consumption. Shelled almonds are milled and generally used as a raw material for confectionary and bakery food companies.

Traditionally almonds are characterized by their good taste and high quality and are regarded as a healthy snack. Consumption patterns depend on factors such as dietary habits, income level and tradition. EU almond consumption absorbs not only domestic production, but also imported quantities. Tree nuts imports are indispensable for EU consumers.

Trade:

Imports

In MY 2012/13, the percentage of almonds originating in the United States is extremely high, making the U.S. the number one almond supplier to Europe. U.S. almonds face competition in the EU from locally grown almonds, particularly from Spain. U.S. almonds will likely continue to enter the EU market with highly competitive prices.

The major EU-28 importers of U.S. almonds by volume are Spain, Germany and the Netherlands in this order. Almond imports are mainly destined for the confectionary, ice cream and chocolate industries.

Nut crops are less perishable than other fruits. Therefore, in many countries, almond imported quantities are destined not only for domestic consumption, but - after being stored, processed, and packaged - they are re-exported to third countries throughout the year.

Table 2. EU-28 Imports of Almonds by Origin in MT (Shelled Basis)

Country of origin	MY 2010/11	MY 2011/12	MY 2012/13
United States	194,095	200,342	192,689
Australia	6,222	8,799	11,611
Morocco	1,753	1,464	1,187
Chile	470	1,140	591
Turkey	291	219	271
Israel	19	5	269
Others	1,307	1,679	1,364
TOTAL EXPORTS	**204,157**	**213,648**	**207,982**

Source: GTA

Exports

The top destinations for EU-28 almonds in MY 2012/13 were the United States, Switzerland and Ceuta (an Autonomous city of Spain in the North of Africa). The largest almond exporter is Spain and Spanish exports are destined mainly for other EU MS, though there has been a significant increase of Spanish exports of almonds to the United States since 2011.

Table 3. EU-28 Exports of Almonds by Destination in MT (Shelled Basis)

Country of origin	MY 2010/11	MY 2011/12	MY 2012/13
United States	1,266	3,002	2,531
Switzerland	1,796	2,017	1,614
Ceuta	2,237	1,728	1,200
Russia	1,075	953	703
Japan	335	384	400
Lebanon	422	553	381
Others	4,321	3,551	3,058
TOTAL EXPORTS	**11,452**	**12,188**	**9,887**

Source: GTA

Production, Supply and Demand Data Statistics:

Almonds, Shelled Basis EU-28	2012		2013		2014		
	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Sep 2012		Market Year Begin: Sep 2013		Market Year Begin: Sep 2014		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	644,191	0	631,212	0	630,395	(HA)
Area Harvested	0	614,446	0	602,142	0	602,490	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	30,000	30,000	25,000	30,000	0	30,000	(MT)
Production	83,000	83,014	63,000	60,437	0	72,151	(MT)
Imports	215,000	207,982	225,000	236,000	0	235,000	(MT)
Total Supply	328,000	320,996	313,000	326,437	0	337,151	(MT)
Exports	10,100	9,887	11,000	10,000	0	10,000	(MT)
Domestic Consumption	292,900	281,109	284,000	286,437	0	297,151	(MT)
Ending Stocks	25,000	30,000	18,000	30,000	0	30,000	(MT)
Total Distribution	328,000	320,996	313,000	326,437	0	337,151	(MT)

Source: FAS Europe Offices

Commodities:

Walnuts, Inshell Basis

Production:
In France, production and exports are increasing on the long run: exports rose by 70 percent in ten years. The vast majority of walnuts produced in France are exported in-shell. However, France is a net importer of shelled walnuts. Due to high domestic processing costs, some French walnuts are shelled abroad then imported back. Imports and consumption of shelled walnuts are on an upward trend.

Walnut production is increasing on the long run, and export is by far the main outlet. Average production increased by 37 percent in ten years (2011-2013 vs 2001-2003), and in 2013, 80 percent of total production was exported in-shell (26,766 MT). In 2013, as in the previous years, the bulk of exports was directed to the EU (88 percent), mainly to Italy (31 percent of total exports), Spain (27 percent) and Germany (17 percent).

Walnuts intended for processing are believed to represent seven to ten percent of the production. Most of them are exported to Moldova in-shell, then imported back, shelled. In 2013, 6 percent of the production was exported to Moldova in-shell. This country remained the leading market outside of the EU. In the first half of 2014, French exports of in-shell walnuts were 9 percent lower than in the first half of 2013, but destinations remained the same. For MY 2014/15, the walnut harvest production figure for France is expected to reach 35,000 MT, an average production.

Italy's MY 2014 walnut harvest is forecast to stay flat at approximately 10,000 MT. Quality is expected to be good. Italy lost its walnut market leadership a few decades ago and now is a major importer, mainly from the United States. Because farmers generally grow walnut trees for both timber and nuts, nut yields and quality have suffered. Higher input costs and lower prices have negatively affected crop profitability. As a result, Italian walnut production supplies about 20 percent of domestic requirements and the remainder is imported. Most walnuts are cultivated in Campania (Southern Italy), where the main varieties are *Sorrento* and *Malizia*. Some farmers in Northern Italy have established efficient and profitable walnut orchards planted with the *Chandler* and *Lara* varieties.

In Spain, the MAGRAMA has not yet published the official walnut production data for MY 2014/15. Therefore, if weather conditions are favorable, we can expect an average production of 14,000 MT for current MY.

Table 4. Major EU Walnut Producers in MT (In-shell Basis)

COUNTRY	MY 2012/13	MY 2013/14	MY 2014/15
France	36,476	33,716	34,000
Romania	28,300	28,000	32,000
Spain	16,877	12,300	14,000

Source: FAS Europe Offices

Consumption:

Walnuts are mainly purchased in winter time both in-shell and shelled for fresh consumption. More

consumers are increasingly purchasing walnuts all year round due to their perceived nutritional benefits. The continued release of studies and research showing the cardiovascular benefits have made walnuts very popular among health-conscious consumers

In this sense, California Walnuts has been conducting very appropriate consumer advertising campaigns focusing on the health benefits of walnuts as well as the key messages of origin, quality and/or versatility. These actions have a very positive impact in the image of California Walnuts and increased the education on the health benefits of the product.

Walnut consumption in the EU falls into several categories: as a snack; an ingredient in home cooking; by-products for further processing and as ingredient in the pastry and bakery industry.

Trade:

Imports

The wide gap between EU walnut production and imports provides excellent opportunities for walnut exporters. The United States is the number one supplier of walnuts, both in-shell and shelled.

The EU imports various types of nuts for direct consumption as well as for further processing and re-export within the region in different forms, such as salted, baked, fried and mixed nuts.

Table 5. EU-28 Imports of Walnuts by Origin in MT (Inshell Basis)

Country of origin	MY 2010/11	MY 2011/12	MY 2012/13
United States	96,836	77,162	72,127
Moldova	15,334	21,716	21,302
Chile	13,400	12,944	17,694
Ukraine	12,755	15,915	17,661
India	8,619	9,118	5,358
China	5,588	4,222	3,689
Others	3,668	3,687	4,849
TOTAL IMPORTS	**156,200**	**144,764**	**142,680**

Source: GTA

Exports

The top destinations for EU-28 walnuts in MY 2012/13 were Turkey, Switzerland and the United States.

Table 6. EU-28 Exports of Walnuts by Destination in MT (Inshell Basis)

Country of origin	MY 2010/11	MY 2011/12	MY 2012/13
Turkey	1,933	6,005	3,752
Switzerland	3,018	3,073	3,452
United States	67	416	2,369
Moldova	2,426	2,799	2,272
Bosnia & Herzegovina	803	1,188	1,610
Albania	526	1,254	1,139
Others	6,838	9,322	5,164
TOTAL EXPORTS	**15,611**	**24,057**	**19,758**

Source: GTA

Production, Supply and Demand Data Statistics:

Walnuts, Inshell Basis EU-28	2012		2013		2014		
	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	57,382	0	60,865	0	61,401	(HA)
Area Harvested	0	53,386	0	55,155	0	55,691	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	35,000	40,000	25,000	40,000	0	40,000	(MT)
Production	104,000	110,078	103,000	98,836	0	106,920	(MT)
Imports	113,500	142,680	115,000	170,000	0	160,000	(MT)
Total Supply	252,500	292,758	243,000	308,836	0	306,920	(MT)
Exports	16,200	19,758	20,000	25,000	0	0	(MT)
Domestic Consumption	211,300	233,000	203,000	243,836	0	266,920	(MT)
Ending Stocks	25,000	40,000	20,000	40,000	0	40,000	(MT)
Total Distribution	252,500	292,758	243,000	308,836	0	306,920	(MT)

Source: FAS Europe Offices

Commodities:
Pistachios, Inshell Basis

Production:

Pistachio is a traditional crop in Italy, especially in Sicily region (Bronte area), where more than 90 percent of the production is located. *Bianca* (also called *Napoletana*) is the main pistachio variety grown in Italy and is normally harvested in September. In recent years, pistachio production has slightly expanded to other areas in Sicily and Basilicata, where newer and input intensive orchards have been planted. Since 2004, pistachio from Bronte has been awarded by the European Commission as a PDO (Protected Designation of Origin), distinguishing it from all other pistachio varieties worldwide. Pistachio trees production is cyclical, bearing heavily in alternate years. MY 2014 will be a "lower" bearing year. Moreover, continuous rain during flowering in April impaired pollination. Quality is expected to be good.

Consumption:
Domestic EU pistachio production is not sufficient to cover domestic demand, resulting in significant imports from Iran and the United States.

The overall pistachios use can be split among many different ones starting from the in-shell basically traded as a snack food or as an ingredient employed by restaurant, shelled pistachios are used by bakeries and food companies (bakeries, cosmetic companies, sweet food companies and so on) while ice-cream makers mainly employ milled pistachios.

Trade:

Imports
The EU is a net importer of pistachios due to very limited EU production. The main suppliers for the European market are the United States and Iran, who together account for nearly 100 percent of total imports. U.S. pistachios continue to be the main source of pistachios in the EU, as they have a higher quality image than their major competitor.

Table 8. EU-28 Imports of Pistachios by Origin in MT (Inshell Basis)

Country of origin	MY 2010/11	MY 2011/12	MY 2012/13
United States	39,649	43,177	43,994
Iran	21,127	20,112	19,424
Turkey	942	1,210	3,721
Syria	388	649	1,003
China	0	75	683
Others	1,349	577	560
TOTAL IMPORTS	**63,455**	**65,800**	**69,385**

Source: GTA

Exports
EU-28 exports of pistachios are very limited. The top destinations for EU-28 pistachios in MY 2012/13 were Switzerland and Melilla, an autonomous Spanish city located in the North of Africa. The major pistachio exporters are Greece, Italy and Spain.

Table 8. EU-28 Exports of Pistachios by Destination in MT (Inshell Basis)

Country of origin	MY 2010/11	MY 2011/12	MY 2012/13
Switzerland	355	227	330
Melilla	318	221	119
Israel	27	34	117
Norway	22	26	33
Others	501	644	809
TOTAL EXPORTS	**1,223**	**1,152**	**1,408**

Source: GTA

Production, Supply and Demand Data Statistics:

Pistachios, Inshell Basis EU-28	2012		2013		2014		
	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Sep 2012		Market Year Begin: Sep 2013		Market Year Begin: Sep 2014		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	8,665	17,932	12,765	17,923	0	17,923	(HA)
Area Harvested	8,605	16,124	12,565	16,118	0	16,118	(HA)
Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Non-Bearing Trees	0	0	0	0	0	0	(1000 TREES)
Total Trees	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	1,500	1,500	1,500	1,500	0	1,500	(MT)
Production	6,800	10,561	6,000	8,245	0	8,430	(MT)
Imports	64,675	69,385	70,000	72,643	0	70,000	(MT)
Total Supply	72,975	81,446	77,500	82,388	0	79,930	(MT)
Exports	1,600	1,408	1,300	1,200	0	1,500	(MT)
Domestic Consumption	69,875	78,538	74,700	79,688	0	76,930	(MT)
Ending Stocks	1,500	1,500	1,500	1,500	0	1,500	(MT)
Total Distribution	72,975	81,446		82,388	0	79,930	(MT)

Source: FAS Europe Offices

Commodities:
Almonds, Shelled Basis
Walnuts, Inshell Basis
Filberts, Inshell Basis
Pistachios, Inshell Basis

Policy:
Between 2004 and 2011, almonds, hazelnuts, walnuts, pistachios and locust beans benefited from the direct support schemes for farmers established by European Council Regulation (EC) No 73/2009 under the Common Agricultural Policy (CAP).

Since 2012, the EU aid was separated from production (decoupling), though MS are allowed to continue to provide with a national aid. The budget for the EU program for 2014 is expected to decrease to 12.79 M€. In the case of Spain, the national aid will be co-financed by the MAGRAMA and the Autonomous Regions. According to the Spanish Agricultural Guarantee Fund (FEGA), in 2014, Spain 463,160 hectares requested the aid in Spain. The total national aid has been shrinking since 2012, when total aid was 13,61 M €, to 4-4.5 M € in 2014.

Aflatoxin Certification for Tree Nuts
Aflatoxin certification is an import instrument for U.S. exports to the EU of almonds, pistachios and peanuts. Information on the product specific programs is available from the respective commodity groups as well as from the USDA Agricultural Marketing Service (AMS)
Special EU Import Conditions for U.S. Almonds
Special EU Import Conditions for U.S. Almonds are no longer applicable after September 3, 2014 following the publication of Commission Implementing Regulation (EU) No 884/2014 of 13 August 2014 imposing special conditions governing the import of certain feed and food from certain third countries due to contamination risk by aflatoxins and repealing Regulation (EC) No 1152/2009. With the removal of special import conditions for U.S. almonds, the presence of a VASP (Voluntary Aflatoxin Sampling Plan) certificate will no longer be a pre-condition for import into the EU. However, the Almond Board of California will strongly advise its members to continue to use the VASP certificate. The lifting of special measures will have no effect on testing levels for shipments with a VASP as those as those had already been lowered to random levels in January 2010. Shipments without a VASP will likely be subject to higher than random import control levels. With the complete removal of special import conditions, the use of the Common Entry Document and the prior notification of goods to the competent authorities at the designated port of entry will no longer be mandatory.
For all the details, please visit the Almond Board of California webpage.

Pistachios
For information on aflatoxin certification on pistachios, please visit:

- Administrative Committee for Pistachios (ACP): http://www.acpistachios.org/acp_contact.htm
- USDA-AMS Technical Services – Pistachio Aflatoxin Program

Levels of Aflatoxins
Commission Regulation (EU) No 165/2010 increased the maximum aflatoxin levels for almonds and pistachios, as well as apricot kernels, hazelnuts and Brazil nuts, bringing them in line with the Codex Alimentarius levels for tree nuts adopted in July 2008. As a result of both new EU regulations, EU aflatoxin levels are in line with existing Codex maximum aflatoxin levels and sampling plans. However, EU legislation has a more extensive product coverage and also includes separate maximum

limits for aflatoxin B1.

The new levels, effective on March 9, 2010, changes to maximum tolerance for aflatoxin to the following:

	Ready-to-Eat (RTE)	**For Further Processing (FFP)**
Almonds	10 ppb total 8 ppb B1	15 ppb total 12 ppb B1
Hazelnuts, Brazil Nuts	10 ppb total 5 ppb B1	15 ppb total 8 ppb B1
Pistachios	10 ppb total 8 ppb B1	15 ppb total 12 ppb B1

For more information, see the E50018 GAIN report

Related Reports

Report Number	**Title**	**Date Released**
PL1325	Poland Product Brief – Dried Fruits and Nuts	10/28/2013

IT1367	Italy Tree Nuts 2013	10/28/2013
IT1366	Greece Tree Nuts 2013	10/28/2013
SP1313	EU-28 Tree Nuts Annual	09/13/2013
BU1314	Bulgaria Product Brief – Dried Fruits and Nuts	03/14/2013
GM13004	Germany Product Brief – Dried Fruits and Nuts	01/28/2013
These reports can be accessed through the FAS GAIN Reports website		